

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Wayland	County Allegan
Fiscal Year End June 30, 2007	Opinion Date November 15, 2007	Date Audit Report Submitted to State December 11, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

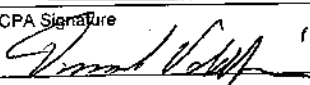
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	SAS #112 communication		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970		
Street Address 246 East Kilgore Road		City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA		License Number 1101020724

City of Wayland
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Wayland

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Wayland's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by \$565,415 (5 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$55,464 and net assets of the business-type activities increased by \$509,951.
- Of the \$11,208,247 total net assets reported, \$306,388 (3 percent) is unrestricted, or available to be used at the Council's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$37,271 which represents 2 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The City's annual financial report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds, as well as additional information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental fund statements explain how general government services, like public safety, were financed in the short-term, as well as what balance remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component unit* - The City includes one other entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the City is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like Community Building and Park and Special Road operations) or to show that it is properly using certain taxes and other revenues (like property taxes collected by county for the roads and motor fuel taxes collected for the street funds).

The City has three kinds of funds:

1. *Governmental funds*. Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2. *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - The City uses internal service funds (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service fund consists of an Equipment Fund.
3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the City. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$11,208,247, an increase of 5 percent compared to the prior year. Of this total, \$9,843,652 is invested in capital assets, net of related debt and \$1,058,207 is restricted for various purposes. Consequently, unrestricted net assets were \$306,338, or 3 percent of the total.

Condensed financial information
 Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 1,365,638	\$ 1,287,380	\$ 284,963	\$ (171,664)	\$ 1,650,601	\$ 1,115,716
Capital assets	<u>8,824,792</u>	<u>9,197,273</u>	<u>5,594,824</u>	<u>5,782,653</u>	<u>14,419,616</u>	<u>14,979,926</u>
Total assets	<u>10,190,430</u>	<u>10,484,653</u>	<u>5,879,787</u>	<u>5,610,989</u>	<u>16,070,217</u>	<u>16,095,642</u>
Long-term debt	1,593,942	1,827,268	3,010,107	3,253,053	4,604,049	5,080,321
Other liabilities	<u>198,096</u>	<u>314,457</u>	<u>59,825</u>	<u>58,032</u>	<u>257,921</u>	<u>372,489</u>
Total liabilities	<u>1,792,038</u>	<u>2,141,725</u>	<u>3,069,932</u>	<u>3,311,085</u>	<u>4,861,970</u>	<u>5,452,810</u>
Net assets:						
Invested in capital assets, net of related debt	7,230,850	7,370,005	2,612,802	2,529,600	9,843,652	9,899,605
Restricted	1,058,207	1,009,928	-	-	1,058,207	1,009,928
Unrestricted	<u>109,335</u>	<u>(37,005)</u>	<u>197,053</u>	<u>(229,696)</u>	<u>306,388</u>	<u>(266,701)</u>
Total net assets	<u>\$ 8,398,392</u>	<u>\$ 8,342,928</u>	<u>\$ 2,809,855</u>	<u>\$ 2,299,904</u>	<u>\$ 11,208,247</u>	<u>\$ 10,642,832</u>

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Continued)

Changes in net assets. The City's total revenues are \$4,322,574. Nearly 37 percent of the City's revenues come from charges for services and another 31 percent come from property taxes. Only 9 percent of the total revenues come from state shared revenue.

The total cost of all the City's programs, covering a wide range of services, totaled \$3,757,159. More than 58 percent of the City's costs related to the provision of public works and utility services. Public safety costs account for 26 percent of the costs and general government costs account for 13 percent of the City's total costs.

Condensed financial information
Changes in Net Assets

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Program revenues:						
Charges for services	\$ 182,728	\$ 227,375	\$ 901,429	\$ 944,765	\$ 1,084,157	\$ 1,172,140
Operating grants and contributions	511,691	374,195	-	-	511,691	374,195
Capital grants and contributions	276,088	270,199	509,625	15,970	785,713	286,169
General revenues:						
Property taxes	1,326,452	1,252,160	-	-	1,326,452	1,252,160
State shared revenue	387,401	397,863	-	-	387,401	397,863
Unrestricted interest income	90,638	37,915	17,771	17,818	108,409	55,733
Franchise fees	27,818	25,188	-	-	27,818	25,188
Special item - gain on sale of land	90,933	-	-	-	90,933	-
Total revenues	<u>2,893,749</u>	<u>2,584,895</u>	<u>1,428,825</u>	<u>978,553</u>	<u>4,322,574</u>	<u>3,563,448</u>
Expenses:						
Legislative	17,274	21,146	-	-	17,274	21,146
General government	482,996	380,453	-	-	482,996	380,453
Public safety	977,495	790,635	-	-	977,495	790,635
Public works	1,256,377	1,320,751	-	-	1,256,377	1,320,751
Community and economic development	48,984	58,822	-	-	48,984	58,822
Health and welfare	6,000	6,000	-	-	6,000	6,000
Recreation and culture	4,968	4,090	-	-	4,968	4,090
Interest	44,191	51,333	-	-	44,191	51,333
Sewer	-	-	551,643	556,572	551,643	556,572
Water	-	-	367,231	368,993	367,231	368,993
Total expenses	<u>2,838,285</u>	<u>2,633,230</u>	<u>918,874</u>	<u>925,565</u>	<u>3,757,159</u>	<u>3,558,795</u>
Increase (decrease) in net assets	<u>\$ 55,464</u>	<u>\$ (48,335)</u>	<u>\$ 509,951</u>	<u>\$ 52,988</u>	<u>\$ 565,415</u>	<u>\$ 4,653</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities. Governmental activities increased the City's net assets by \$55,464 compared to a \$48,335 decrease in the prior year. Expenses increased by more than \$200,000 in the current year; however, a \$206,000 state grant used for street improvements and a \$91,000 gain on the sale of land more than offset the increased expenses.

The cost of all governmental activities this year was \$2,838,285. After subtracting the direct charges to those who directly benefited from the programs (\$182,728), and operating and capital grants (\$787,779), the "public benefit" portion covered by property taxes, state shared revenue, and other general revenues was \$1,867,778.

Business-type activities. Business-type activities increased the City's net assets by \$509,951. The primary reason for this increase was the recognition of connection fees totaling \$509,625.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,181,531, a decrease of \$29,968 in comparison with the prior year. Of the total fund balances, 95 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for collections of long-term receivables (\$47,419).

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$37,271, which represents 2 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance decreased by \$164,300 primarily due to the payment of additional equipment rental charges, in the amount of \$192,418, to the internal service fund to eliminate a deficit in the unrestricted portion of net assets of that fund.

The Community Building and Park Fund experienced a decrease in fund balance of \$51,898. The decrease was caused by approved capital expenditures associated with construction of restroom facilities in the City Park.

The Major Street Fund experienced an increase in fund balance in the amount of \$58,161 because current year revenues were more than sufficient to cover current year costs.

Proprietary funds. The Sewer Fund experienced an increase in net assets of \$261,266. The increase was primarily the result of the recognition of connection fees in the amount of \$303,831. Total net assets are \$1,869,617 at year end of which \$114,624 is unrestricted.

The Water Fund experienced an increase in net assets of \$248,685. The increase was primarily the result of the recognition of connection fees in the amount of \$205,794. Total net assets are \$940,238 at year end of which \$82,429 is unrestricted.

City of Wayland
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General Fund budgetary highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$190,613. The budgeted expenditures were increased primarily for employee benefits, equipment rental expenses, the City Hall Renovation Project, and other administrative costs.

Revenues were \$150,598 more than budgeted primarily due to improved interest earnings and higher than expected inspection fee revenues. General Fund expenditures were \$106,141 less than the amounts appropriated primarily because of an effort to control operating costs. The City also sold land for \$108,293 that was not anticipated when the budget was prepared. These variances resulted in a \$365,032 positive budget variance, and a \$164,300 decrease in fund balance compared to a budgeted decrease of \$529,332.

Capital assets and debt administration

Capital assets.

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$14,419,616 (net of accumulated depreciation). This investment includes a broad range of assets including land, buildings, street infrastructure, police and fire equipment, buildings, and sewer and water facilities. The net decrease in the City's net investment in capital assets for the current fiscal year was \$372,481.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Infrastructure	\$ 6,511,513	\$ 5,275,094	\$ 11,786,607
Buildings and improvements	788,568	-	788,568
Furniture, equipment, and vehicles	808,288	-	808,288
Land	<u>716,423</u>	<u>319,730</u>	<u>1,036,153</u>
Totals	<u>\$ 8,824,792</u>	<u>\$ 5,594,824</u>	<u>\$ 14,419,616</u>

Major capital asset events during the current fiscal year included the following:

- Street improvements on East Superior Street amounting to \$75,129.
- Street improvements on North Main Street amounting to \$85,793.
- Computer equipment and software purchases totaling \$41,275.
- City Hall improvements totaling \$163,859.
- Construction of new restrooms in the City Park totaling \$78,278.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-term debt.

At the end of the fiscal year, the City had total long-term bonds and notes outstanding in the amount of \$4,604,049 which represents a decrease of \$476,272 or 9 percent. Of this amount, \$4,556,049 comprises debt backed by the full faith and credit of the City. Another \$48,000 represents bonds secured solely by specific revenue sources (i.e., revenue bonds).

State statutes limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property. The City's total general obligation debt (\$4,604,049) is significantly lower than the current state-imposed limit of \$10,244,390.

Other long-term debt obligations totaling \$40,568 represent accrued compensated absences.

More detailed information about the City's long-term obligations is presented in Note 7 of the notes to the basic financial statements.

Economic condition and outlook

The City of Wayland (2000 census-population of 3939) is primarily a residential community located in Allegan County, Michigan. The City's proximity to the Grand Rapids Metropolitan Area and several major roadways, including US Highway 131, has helped spur recent residential and commercial development. The reported median family income level for Wayland is currently \$50,298 and the median house value is \$99,500. Wayland, like most communities in Michigan, is experiencing the effects of a slow economy. However, the City has seen some positive movement. One example is the recent sale of property in the City's Industrial Park in 2007. Steps are being taken to enhance the marketability of the property through platting. The City maintains a close working relationship with real estate agents to meet the demands of the real estate market. In addition, new businesses are occupying previously vacant property, including Mobile Pallet Company and ITC Transmission, and they have added new value to those properties as well as tax revenues.

Construction of eighty-two residential units, including a 34-unit senior residential development, known as Sawmill Estates, is underway. When completed, Sawmill Estates will provide additional housing options for the community and support for existing businesses.

New commercial/industrial and residential property development is expected over the next few years that will be beneficial to the community as a whole.

The City has taken progressive steps to ensure financial stability, health, and long-term viability. The first and most important step was the search for and hiring of a Utility Consultant. The City's sewer and water funds have been in a deficit condition for several fiscal years, which has strained resources and limited long-term financial planning. The City has taken the necessary steps to correct these past inefficiencies and invest the City's assets wisely. The City is currently taking action through adopting a balanced budget for FY 2007-2008. Other improvements include updating the chart of accounts utilized by the City, consolidating the Capital Improvement and General Funds, updating job descriptions, and upgrading information technology.

The City of Wayland is committed to the goal of financial conservatism and through this new philosophy the City will develop plans to ensure economic development, infrastructure maintenance, and utility efficiency. The City will continue to evaluate expenditures and reinvest revenues to ensure the City is operating at its peak efficiency.

Contacting the City's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Heath Kaplan, Treasurer/Finance Director
City of Wayland
103 South Main Street
Wayland, MI 49348

Phone: (269) 792-2265
E-mail: kaplanh@ci.wayland.mi.us

INDEPENDENT AUDITORS' REPORT

City Council
City of Wayland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2007, and for the year then ended, which collectively comprise the City's financial statements, as listed in the contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the City of Wayland, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, the City recorded prior period adjustments to correct its method of accounting for internal balances of the governmental and business-type activities and to correct its method of accounting for payables of the Downtown Development Authority, the City's component unit.



1958-2008

The management's discussion and analysis, budgetary comparison information, and the schedule of funding progress, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall A.C.

November 15, 2007

BASIC FINANCIAL STATEMENTS

City of Wayland
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 1,119,776	\$ 59,795	\$ 1,179,571	\$ 379,666
Receivables	209,443	197,083	406,526	-
Prepaid expense	6,000	-	6,000	-
Total current assets	<u>1,335,219</u>	<u>256,878</u>	<u>1,592,097</u>	<u>379,666</u>
Noncurrent assets:				
Unamortized bond issuance costs	-	28,085	28,085	-
Receivables	30,419	-	30,419	-
Land	716,423	319,730	1,036,153	-
Depreciable capital assets, net	<u>8,108,369</u>	<u>5,275,094</u>	<u>13,383,463</u>	<u>-</u>
Total noncurrent assets	<u>8,855,211</u>	<u>5,622,909</u>	<u>14,478,120</u>	<u>-</u>
Total assets	<u>10,190,430</u>	<u>5,879,787</u>	<u>16,070,217</u>	<u>379,666</u>
LIABILITIES				
Current liabilities:				
Accounts payable	170,821	46,532	217,353	309,463
Bonds and loans payable	<u>235,081</u>	<u>287,946</u>	<u>523,027</u>	<u>-</u>
Total current liabilities	<u>405,902</u>	<u>334,478</u>	<u>740,380</u>	<u>309,463</u>
Noncurrent liabilities:				
Compensated absences	27,275	13,293	40,568	-
Bonds and loans payable	<u>1,358,861</u>	<u>2,722,161</u>	<u>4,081,022</u>	<u>-</u>
Total noncurrent liabilities	<u>1,386,136</u>	<u>2,735,454</u>	<u>4,121,590</u>	<u>-</u>
Total liabilities	<u>1,792,038</u>	<u>3,069,932</u>	<u>4,861,970</u>	<u>309,463</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,230,850	2,612,802	9,843,652	-
Restricted for:				
Public safety	2,313	-	2,313	-
Public works	513,898	-	513,898	-
Community building and park improvements	541,996	-	541,996	-
Unrestricted	<u>109,335</u>	<u>197,053</u>	<u>306,388</u>	<u>70,203</u>
Total net assets	<u>\$ 8,398,392</u>	<u>\$ 2,809,855</u>	<u>\$ 11,208,247</u>	<u>\$ 70,203</u>

See notes to financial statements

City of Wayland
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government:				
Governmental activities:				
Legislative	\$ 17,274	\$ -	\$ -	\$ -
General government	482,996	115,674	-	61,700
Public safety	977,495	59,704	153,849	-
Public works	1,256,377	7,350	357,842	214,388
Community and economic development	48,984	-	-	-
Health and welfare	6,000	-	-	-
Recreation and culture	4,968	-	-	-
Interest on long-term debt	44,191	-	-	-
Total governmental activities	<u>2,838,285</u>	<u>182,728</u>	<u>511,691</u>	<u>276,088</u>
Business-type activities:				
Sewer	551,643	497,705	-	303,831
Water	367,231	403,724	-	205,794
Total business-type activities	<u>918,874</u>	<u>901,429</u>	<u>-</u>	<u>509,625</u>
Total primary government	<u>\$ 3,757,159</u>	<u>\$ 1,084,157</u>	<u>\$ 511,691</u>	<u>\$ 785,713</u>
Component unit:				
Downtown Development Authority	\$ 170,758	\$ -	\$ 1,000	\$ -

General revenues:

Property taxes
State shared revenue
Unrestricted interest income
Franchise fees
Special item - gain on sale of land

Total general revenues and special item

Change in net assets

Net assets (deficit) - beginning

Net assets - ending

<u>Net (expenses) revenues and changes in net assets</u>			<u>Component</u>
<u>Primary government</u>			<u>unit</u>
<u>Governmental</u>	<u>Business-type</u>	<u>Totals</u>	<u>Downtown</u>
<u>activities</u>	<u>activities</u>		<u>Development</u>
			<u>Authority</u>
\$ (17,274)		\$ (17,274)	
(305,622)		(305,622)	
(763,942)		(763,942)	
(676,797)		(676,797)	
(48,984)		(48,984)	
(6,000)		(6,000)	
(4,968)		(4,968)	
(44,191)		(44,191)	
(1,867,778)		(1,867,778)	
	\$ 249,893	249,893	
	242,287	242,287	
-	492,180	492,180	
(1,867,778)	492,180	(1,375,598)	
			\$ (169,758)
1,326,452	-	1,326,452	247,320
387,401	-	387,401	-
90,638	17,771	108,409	45
27,818	-	27,818	
90,933	-	90,933	-
1,923,242	17,771	1,941,013	247,365
55,464	509,951	565,415	77,607
8,342,928	2,299,904	10,642,832	(7,404)
\$ 8,398,392	\$ 2,809,855	\$ 11,208,247	\$ 70,203

See notes to financial statements

City of Wayland
BALANCE SHEET - governmental funds
June 30, 2007

	<u>General</u>	<u>Community Building and Park Improvement</u>	<u>Major Street</u>
ASSETS			
Cash	\$ 16,243	\$ 553,943	\$ 126,368
Receivables	149,860	-	32,378
Prepaid expense	6,000	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 172,103</u>	<u>\$ 553,943</u>	<u>\$ 158,746</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 134,832	\$ 11,947	\$ 669
	<u> </u>	<u> </u>	<u> </u>
Fund balances:			
Reserved for long-term receivables	-	-	-
Unreserved	37,271	541,996	158,077
Unreserved, reported in nonmajor special revenue funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>37,271</u>	<u>541,996</u>	<u>158,077</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 172,103</u>	<u>\$ 553,943</u>	<u>\$ 158,746</u>

Total fund balances - all governmental funds

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Internal service funds are used by management to charge costs of equipment and vehicle management to individual funds. Assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net assets.

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 5)

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 390,937	\$ 1,087,491
57,624	239,862
<u>-</u>	<u>6,000</u>

<u>\$ 448,561</u>	<u>\$ 1,333,353</u>
-------------------	---------------------

<u>\$ 4,374</u>	<u>\$ 151,822</u>
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47,419	47,419
-	737,344

<u>396,768</u>	<u>396,768</u>
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<u>444,187</u>	<u>1,181,531</u>
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<u>\$ 448,561</u>	<u>\$ 1,333,353</u>
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	\$ 1,181,531
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8,155,032

392,767

(1,330,938)

\$ 8,398,392

See notes to financial statements

City of Wayland

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds**

Year ended June 30, 2007

	General	Community Building and Park Improvement	Major Street	Nonmajor governmental funds	Total governmental funds
REVENUES					
Property taxes	\$ 1,326,452	\$ -	\$ -	\$ -	\$ 1,326,452
Federal grants	8,138	-	-	-	8,138
State grants	386,015	-	403,453	75,441	864,909
Fines and forfeitures	13,072	-	-	-	13,072
Licenses and permits	74,450	-	-	-	74,450
Intergovernmental	153,849	-	-	93,934	247,783
Charges for services	29,276	-	-	-	29,276
Interest and rentals	71,659	27,095	5,000	4,331	108,085
Other	68,902	-	-	49	68,951
Total revenues	<u>2,131,813</u>	<u>27,095</u>	<u>408,453</u>	<u>173,755</u>	<u>2,741,116</u>
EXPENDITURES					
Legislative	17,274	-	-	-	17,274
General government	548,926	-	-	-	548,926
Public safety	1,027,938	-	-	749	1,028,687
Public works	547,337	-	275,412	44,937	867,686
Community and economic development	48,984	-	-	-	48,984
Health and welfare	6,000	-	-	-	6,000
Debt service:					
Principal	134,256	-	45,000	-	179,256
Interest	8,214	-	29,880	-	38,094
Capital outlay	65,477	78,993	-	-	144,470
Total expenditures	<u>2,404,406</u>	<u>78,993</u>	<u>350,292</u>	<u>45,686</u>	<u>2,879,377</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(272,593)	(51,898)	58,161	128,069	(138,261)
OTHER FINANCING SOURCE					
Proceeds from sale of land	108,293	-	-	-	108,293
NET CHANGE IN FUND BALANCES	(164,300)	(51,898)	58,161	128,069	(29,968)
FUND BALANCES - BEGINNING	201,571	593,894	99,916	316,118	1,211,499
FUND BALANCES - ENDING	<u>\$ 37,271</u>	<u>\$ 541,996</u>	<u>\$ 158,077</u>	<u>\$ 444,187</u>	<u>\$ 1,181,531</u>

See notes to financial statements

City of Wayland

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)**

Year ended June 30, 2007

Net change in fund balances - total governmental funds	\$ (29,968)
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Amounts reported for *governmental activities* in the statement of activities
are different because:

Capital assets:

Assets acquired	444,334
Assets disposed	(18,297)
Provision for depreciation	(709,011)

Long-term debt - principal repayments	179,256
---------------------------------------	---------

Changes in other assets/liabilities:

Net decrease in accrued interest	9,100
Net increase in liability for compensated absences	(2,631)

Changes in net assets of the internal service fund are reported
with *governmental activities* in the statement of activities

182,681

Change in net assets of *governmental activities* (page 6)

<u>\$ 55,464</u>

City of Wayland
STATEMENT OF NET ASSETS - proprietary funds
June 30, 2007

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash	\$ 58,511	\$ 1,284	\$ 59,795	\$ 32,285
Receivables	103,842	93,241	197,083	-
Total current assets	162,353	94,525	256,878	32,285
Noncurrent assets:				
Unamortized bond issuance costs	28,085	-	28,085	-
Land	275,730	44,000	319,730	-
Depreciable capital assets, net	4,149,423	1,125,671	5,275,094	669,760
Total noncurrent assets	4,453,238	1,169,671	5,622,909	669,760
Total assets	4,615,591	1,264,196	5,879,787	702,045
LIABILITIES				
Current liabilities:				
Accounts payable	41,082	5,450	46,532	5,099
Loan payable	11,141	19,805	30,946	55,318
Bonds payable	125,000	132,000	257,000	-
Total current liabilities	177,223	157,255	334,478	60,417
Noncurrent liabilities:				
Compensated absences	6,647	6,646	13,293	-
Revenue bonds payable	2,500,000	36,000	2,536,000	-
Loan payable	62,104	124,057	186,161	248,861
Total noncurrent liabilities	2,568,751	166,703	2,735,454	248,861
Total liabilities	2,745,974	323,958	3,069,932	309,278
NET ASSETS				
Invested in capital assets, net of related debt	1,754,993	857,809	2,612,802	365,581
Unrestricted	114,624	82,429	197,053	27,186
Total net assets	\$ 1,869,617	\$ 940,238	2,809,855	\$ 392,767

See notes to financial statements

City of Wayland

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN

NET ASSETS - *proprietary funds*

Year ended June 30, 2007

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
OPERATING REVENUES				
Charges for services	\$ 497,705	\$ 403,724	\$ 901,429	\$ 404,098
OPERATING EXPENSES				
Sewer	302,899	-	302,899	-
Water	-	289,548	289,548	-
Cost of interfund services provided	-	-	-	116,713
Depreciation and amortization	121,896	65,933	187,829	89,507
Total operating expenses	424,795	355,481	780,276	206,220
OPERATING INCOME	72,910	48,243	121,153	197,878
NONOPERATING REVENUES (EXPENSES)				
Connection and trunkage fees	303,831	205,794	509,625	-
Interest income	11,373	6,398	17,771	-
Interest expense	(126,848)	(11,750)	(138,598)	(15,197)
Total nonoperating revenues (expenses)	188,356	200,442	388,798	(15,197)
CHANGE IN NET ASSETS	261,266	248,685	509,951	182,681
NET ASSETS - BEGINNING	1,608,351	691,553	2,299,904	210,086
NET ASSETS - ENDING	\$ 1,869,617	\$ 940,238	\$ 2,809,855	\$ 392,767

See notes to financial statements

City of Wayland
STATEMENT OF CASH FLOWS - proprietary funds
Year ended June 30, 2007

	<u>Business-type activities</u>			<u>Governmental activities</u>
	<u>Enterprise funds</u>			<u>Internal service</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers/funds	\$ 489,040	\$ 392,641	\$ 881,681	\$ 404,098
Payments to suppliers	(181,459)	(163,733)	(345,192)	(96,593)
Payments to employees	(115,170)	(127,592)	(242,762)	(15,020)
Net cash provided by operating activities	<u>192,411</u>	<u>101,316</u>	<u>293,727</u>	<u>292,485</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Decrease in due to other funds	<u>(213,563)</u>	<u>(166,967)</u>	<u>(380,530)</u>	<u>(190,933)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection and trunkage fees	303,831	205,794	509,625	-
Principal payments on capital debt	(111,141)	(131,805)	(242,946)	(54,070)
Interest payments on capital debt	<u>(124,400)</u>	<u>(13,452)</u>	<u>(137,852)</u>	<u>(15,197)</u>
Net cash provided by (used in) capital and related financing activities	<u>68,290</u>	<u>60,537</u>	<u>128,827</u>	<u>(69,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	<u>11,373</u>	<u>6,398</u>	<u>17,771</u>	<u>-</u>
NET CHANGE IN CASH	<u>58,511</u>	<u>1,284</u>	<u>59,795</u>	<u>32,285</u>
CASH - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH - ENDING	<u>\$ 58,511</u>	<u>\$ 1,284</u>	<u>\$ 59,795</u>	<u>\$ 32,285</u>

See notes to financial statements

City of Wayland**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended June 30, 2007

	<u>Business-type activities</u>			<u>Governmental activities</u>
	<u>Enterprise funds</u>			<u>Internal service</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 72,910	\$ 48,243	\$ 121,153	\$ 197,878
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization expense	121,896	65,933	187,829	89,507
Changes in assets and liabilities:				
Receivables	(8,665)	(11,083)	(19,748)	-
Accounts payable	6,270	(1,777)	4,493	5,100
Net cash provided by operating activities	<u>\$ 192,411</u>	<u>\$ 101,316</u>	<u>\$ 293,727</u>	<u>\$ 292,485</u>

See notes to financial statements

City of Wayland
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
June 30, 2007

ASSETS

Cash	\$ <u>373,400</u>
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LIABILITIES

Due to other governmental units	\$ <u>373,400</u>
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See notes to financial statements

City of Wayland
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Wayland, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The component unit is reported in separate columns in the government-wide financial statements to emphasize it is legally separate from the City.

Discretely-presented component unit - Downtown Development Authority:

This unit is presented in separate columns in the government-wide financial statements to emphasize that it is legally separate from the City. Separate financial statements of the component unit have not been issued as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit. The component unit's governing body is appointed by the City Council and its budget must be approved by the City Council.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the City.

The Community Building and Park Improvement Fund accounts for the improvements to the City's community buildings and parks. Available resources were provided by a private donor.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the City's sewer system and treatment facilities.

The Water Fund accounts for the operation of the City's water mains and pumping facilities.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

The Agency Fund accounts for the collection and disbursement of property taxes for other governmental units.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector standards.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City has elected to use the prospective method of accounting for infrastructure assets whereby it will capitalize its infrastructure assets beginning July 1, 2003, as permitted by GASB Statement No. 34.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Streets	15 years
Sewer and water systems	50 years
Equipment	3 - 20 years

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Compensated absences - Vacation time is earned in varying amounts depending upon years of service. Employees may accumulate and carry over a maximum of twenty days. Upon retirement or termination, employees are paid for unused vacation time at their current rates. Employees are granted twelve paid personal days per year. Unused personal time does not accumulate, but a maximum of seven days' time is paid to the employee at the end of the first pay period of the following calendar year.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 1, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the City Council is the function level.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The City's significant budgetary variances are as follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual expenditures</u>	<u>Variance</u>
General	Capital outlay	\$ 49,043	\$ 65,477	\$ (16,434)
	Debt service - interest	5,000	8,214	(3,214)

P.A. 621 of 1978, Section 16, as amended, provides that total estimated expenditures shall not exceed the total estimated revenues, including an available surplus. The City budgeted for deficits in the General and Major Street funds for the year ended June 30, 2007.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH:

At June 30, 2007, cash is presented in the accompanying financial statements as follows:

Statement of net assets:	
Primary government	\$ 1,179,571
Component unit	379,666
Fiduciary fund	<u>373,400</u>
 Total cash	 \$ <u>1,932,637</u>

At June 30, 2007, cash consists of the following:

Cash on hand	\$ 225
Deposits with financial institutions	<u>1,932,412</u>
 Total	 \$ <u>1,932,637</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. As of June 30, 2007, \$1,817,456 of the City's bank balances of \$1,970,301 was exposed to custodial credit risk because it was uninsured.

The City maintains pooled cash accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit.

The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

At June 30, 2007, the City's receivables are as follows:

	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Loans</u>	<u>Totals</u>
Governmental funds:				
General	\$ 23,131	\$ 126,729	\$ -	\$ 149,860
Major Street	-	32,378	-	32,378
Nonmajor governmental	-	10,205	47,419	57,624
Total governmental funds	<u>\$ 23,131</u>	<u>\$ 169,312</u>	<u>\$ 47,419</u>	<u>\$ 239,862</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,419</u>	<u>\$ 30,419</u>
Proprietary funds:				
Sewer Fund	\$ 103,842	\$ -	\$ -	\$ 103,842
Water Fund	93,241	-	-	93,241
Total proprietary funds	<u>\$ 197,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,083</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 733,783	\$ -	\$ (17,360)	\$ 716,423
Capital assets being depreciated:				
Buildings	740,504	242,137	-	982,641
Improvements	339,291	-	-	339,291
Furniture, fixtures and equipment	758,701	41,275	(25,890)	774,086
Vehicles	1,694,497	-	-	1,694,497
Street network	12,908,519	160,922	-	13,069,441
Subtotal	<u>16,441,512</u>	<u>444,334</u>	<u>(25,890)</u>	<u>16,859,956</u>
Less accumulated depreciation for:				
Buildings	(292,568)	(17,564)	-	(310,132)
Improvements	(211,077)	(12,155)	-	(223,232)
Furniture, fixtures and equipment	(560,286)	(36,186)	24,953	(571,519)
Vehicles	(1,015,128)	(73,648)	-	(1,088,776)
Street network	(5,898,963)	(658,965)	-	(6,557,928)
Subtotal	<u>(7,978,022)</u>	<u>(798,518)</u>	<u>24,953</u>	<u>(8,751,587)</u>
Total capital assets being depreciated, net	<u>8,463,490</u>	<u>(354,184)</u>	<u>(937)</u>	<u>8,108,369</u>
Governmental activities capital assets, net	<u>\$ 9,197,273</u>	<u>\$ (354,184)</u>	<u>\$ (18,297)</u>	<u>\$ 8,824,792</u>

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 319,730	\$ -	\$ -	\$ 319,730
Capital assets being depreciated:				
Sewer system	5,954,693	-	-	5,954,693
Water system	2,036,864	-	-	2,036,864
Subtotal	7,991,557	-	-	7,991,557
Less accumulated depreciation for:				
Sewer system	(1,683,374)	(121,896)	-	(1,805,270)
Water system	(845,260)	(65,933)	-	(911,193)
Subtotal	(2,528,634)	(187,829)	-	(2,716,463)
Total capital assets being depreciated, net	5,462,923	(187,829)	-	5,275,094
Business-type activities capital assets, net	\$ 5,782,653	\$ (187,829)	\$ -	\$ 5,594,824

Depreciation expense was charged to governmental functions of the City as follows:

<i>Governmental activities:</i>	
General government	\$ 24,467
Public safety	18,455
Public works	661,836
Recreation and culture	4,253
Internal Service Fund	89,507
Total governmental activities	<u>\$ 798,518</u>

NOTE 6 - PAYABLES:

At June 30, 2007, the payables of the City's funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Payroll</i>	<i>Interest</i>	<i>Totals</i>
Governmental funds:				
General	\$ 107,663	\$ 27,169		\$ 134,832
Community Building and Park	11,947	-		11,947
Major Street	669	-		669
Nonmajor governmental	4,374	-		4,374
Totals	\$ 124,653	\$ 27,169		\$ 151,822
Proprietary funds:				
Sewer	\$ 7,484	\$ 3,098	\$ 30,500	\$ 41,082
Water	1,511	1,839	2,100	5,450
Internal Service	5,099	-	-	5,099
Totals	\$ 14,094	\$ 4,937	\$ 32,600	\$ 51,631

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS:

Long-term obligations at June 30, 2007, are comprised of the following individual issues:

Governmental activities:

Bonds and loans:

\$69,900 2003 installment purchase agreement - payable in semi-annual installments of \$4,325 including interest at 4.5%; final payment due June 2013 \$ 45,247

\$800,000 2001 Michigan Transportation Fund bonds - payable in annual installments of \$40,000 to \$80,000, plus interest at 4.0% to 5.30%; final payment due April 2016 565,000

\$545,408 2001 installment purchase agreement - payable in annual installments of \$69,268, including interest at 4.6%; final payment due December 2011 304,179

\$377,553 1998 installment purchase agreement - payable in annual interest installments of \$7,656 at 4.5%; final balloon payment due May 2013 30,129

\$1,237,017 Michigan Strategic Fund loan - payable in quarterly installments of \$30,946; final payment due June 2014 649,387

Total bonds and notes 1,593,942

Compensated absences 27,275

Total long-term obligations \$ 1,621,217

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued):

Long-term obligations activity for the year ended June 30, 2007, was as follows:

Business-type activities:

Bonds and loans:

\$325,000 1973 water improvement revenue bonds - payable in annual installments of \$12,000, plus interest at 5%; final payment due January 2011 \$ 48,000

\$995,000 1993 unlimited tax general obligation bonds - payable in annual installments ranging from \$80,000 to \$120,000, plus interest at 2.75% to 5.25%; final payment due September 2007 120,000

\$1,550,000 1998 sewer contract - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 3.9% to 6.9%; final payment due October 2020 1,300,000

\$1,575,000 1999 sewer contract - payable in annual installments ranging from \$25,000 to \$125,000, plus interest at 4.9% to 5.625%; final payment due October 2020 1,325,000

\$412,983 Michigan Strategic Fund loan - payable in quarterly installments of \$8,706, including interest at 4%; final payment due June 2014 217,107

Total bonds and notes 3,010,107

Compensated absences 46,532

Total long-term obligations \$ 3,056,639

Changes in long-term obligations for the year ended June 30, 2007 were as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
1998 installment purchase	\$ 65,129	\$ -	\$ 35,000	\$ 30,129	\$ 30,129
1998 MSF loan	742,226	-	92,839	649,387	92,839
2001 MTF bonds	610,000	-	45,000	565,000	50,000
2001 installment purchase	358,249	-	54,070	304,179	55,318
2001 loan payable	<u>51,664</u>	<u>-</u>	<u>6,417</u>	<u>45,247</u>	<u>6,795</u>
Total bonds and notes	1,827,268	-	233,326	1,593,942	235,081
Compensated absences	<u>24,644</u>	<u>32,559</u>	<u>29,928</u>	<u>27,275</u>	<u>-</u>
Total governmental activities	<u>\$ 1,851,912</u>	<u>\$ 32,559</u>	<u>\$ 263,254</u>	<u>\$ 1,621,217</u>	<u>\$ 235,081</u>

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
1973 revenue bonds	\$ 60,000	\$ -	\$ 12,000	\$ 48,000	\$ 12,000
1993 G.O. bonds	220,000	-	100,000	120,000	120,000
1998 MSF loan	248,053	-	30,946	217,107	30,946
1998 contract payable	1,350,000	-	50,000	1,300,000	75,000
1999 contract payable	1,375,000	-	50,000	1,325,000	50,000
Total bonds and notes	3,253,053	-	242,946	3,010,107	287,946
Compensated absences	12,692	15,991	15,390	13,293	-
Total business-type activities	<u>\$ 3,265,745</u>	<u>\$ 15,991</u>	<u>\$ 258,336</u>	<u>\$ 3,023,400</u>	<u>\$ 287,946</u>

Debt service requirements at June 30, 2007, excluding compensated absences, were as follows:

<u>Year ended June 30:</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 235,081	\$ 44,211	\$ 287,946	\$ 124,505
2009	207,788	38,436	192,946	114,487
2010	215,753	33,222	192,946	107,137
2011	223,854	27,590	192,946	99,769
2012	224,050	22,938	180,946	99,169
2013 - 2017	487,416	48,252	1,037,377	357,616
2018 - 2021	-	-	925,000	111,541
Totals	<u>\$ 1,593,942</u>	<u>\$ 214,649</u>	<u>\$ 3,010,107</u>	<u>\$ 1,014,224</u>

All debt is secured by the full faith and credit of the City.

Conduit Debt Obligation:

The City, through the Downtown Development Authority (the Authority), has issued tax incremental revenue bonds to provide financial assistance to a private-sector entity for the construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the private-sector entity. Neither the City, the State of Michigan, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2007, the outstanding balance on these bonds is \$295,000, with final payment due in April 2014.

Associated with this conduit debt is a commitment by the Authority to pay the private-sector entity 60% of the tax incremental revenue generated from this area for a period of fifteen years ending in fiscal year 2014.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - RISK MANAGEMENT:

The City is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$2,000,000, building contents, workers' compensation, employee medical, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2007, follows:

Revenues	\$ 44,234
Expenses	<u>44,234</u>
Deficiency of revenues over expenses	<u>\$ -</u>

NOTE 10 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The City's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

Funding policy:

Contribution rates for each participating employer and its covered employees are established and may be amended by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings.

For the year ended June 30, 2007, the City's annual pension cost of \$163,954 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 30 years as a level percentage of payroll.

City of Wayland
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued):

Three-year trend information is as follows:

<u>Year ended June 30:</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2005	\$ 163,750	100%	-
2006	139,406	100%	-
2007	163,954	100%	-

NOTE 11 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2007 that resulted in equity restatements. Equity as of July 1, 2006, included in the accompanying financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<u>Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Unit</u>
Beginning of year, as previously reported	\$ 8,427,165	\$ 2,215,667	\$ 184,749
Prior period adjustments:			
Over/understatement of internal balances	(84,237)	84,237	-
Understatement of payables	-	-	(192,153)
Beginning of year, as restated	<u>\$ 8,342,928</u>	<u>\$ 2,299,904</u>	<u>\$ (7,404)</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Wayland**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 1,326,015	\$ 1,326,015	\$ 1,326,452	\$ 437
Federal grants	-	-	8,138	8,138
State grants	399,000	399,000	386,015	(12,985)
Fines and forfeitures	16,000	16,000	13,072	(2,928)
Licenses and permits	25,000	25,000	74,450	49,450
Intergovernmental	155,000	155,000	153,849	(1,151)
Charges for services	3,200	3,200	29,276	26,076
Interest and rentals	55,000	55,000	71,659	16,659
Other	2,000	2,000	68,902	66,902
Total revenues	<u>1,981,215</u>	<u>1,981,215</u>	<u>2,131,813</u>	<u>150,598</u>
EXPENDITURES				
Legislative - City Council	<u>15,200</u>	<u>15,905</u>	<u>17,274</u>	<u>(1,369)</u>
General government:				
Administration	355,600	376,002	358,917	17,085
Elections	11,250	13,898	8,457	5,441
Building maintenance	113,500	133,593	141,399	(7,806)
Assessor	<u>36,750</u>	<u>37,130</u>	<u>40,153</u>	<u>(3,023)</u>
Total general government	<u>517,100</u>	<u>560,623</u>	<u>548,926</u>	<u>11,697</u>
Public safety:				
Police department	571,800	622,134	601,955	20,179
Fire department	285,650	404,735	381,749	22,986
Inspections department	<u>45,000</u>	<u>45,000</u>	<u>44,234</u>	<u>766</u>
Total public safety	<u>902,450</u>	<u>1,071,869</u>	<u>1,027,938</u>	<u>43,931</u>
Public works	<u>431,000</u>	<u>576,521</u>	<u>547,337</u>	<u>29,184</u>
Community and economic development:				
Planning	-	-	17,206	(17,206)
Economic development	30,000	30,000	6,349	23,651
Community promotion	<u>22,600</u>	<u>24,386</u>	<u>25,429</u>	<u>(1,043)</u>
Total community and economic development	<u>52,600</u>	<u>54,386</u>	<u>48,984</u>	<u>5,402</u>

City of Wayland**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Health and welfare - ambulance service	\$ 6,000	\$ 12,000	\$ 6,000	\$ 6,000
Debt service:				
Principal	165,200	165,200	134,256	30,944
Interest	5,000	5,000	8,214	(3,214)
Capital outlay	32,965	49,043	65,477	(16,434)
Total expenditures	<u>2,127,515</u>	<u>2,510,547</u>	<u>2,404,406</u>	<u>106,141</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(146,300)	(529,332)	(272,593)	256,739
OTHER FINANCING SOURCE				
Proceeds from sale of land	-	-	108,293	108,293
NET CHANGE IN FUND BALANCES	(146,300)	(529,332)	(164,300)	365,032
FUND BALANCES - BEGINNING	<u>201,571</u>	<u>201,571</u>	<u>201,571</u>	<u>-</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 55,271</u>	<u>\$ (327,761)</u>	<u>\$ 37,271</u>	<u>\$ 365,032</u>

City of Wayland
BUDGETARY COMPARISON SCHEDULE - Community Building and Park
Improvement Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 130,000	\$ 130,000	\$ -	\$ (130,000)
Interest	<u>10,000</u>	<u>10,000</u>	<u>27,095</u>	<u>17,095</u>
Total revenues	140,000	140,000	27,095	(112,905)
EXPENDITURES				
Capital outlay	<u>410,000</u>	<u>410,000</u>	<u>78,993</u>	<u>331,007</u>
NET CHANGE IN FUND BALANCES	(270,000)	(270,000)	(51,898)	218,102
FUND BALANCES - BEGINNING	<u>593,894</u>	<u>593,894</u>	<u>593,894</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 323,894</u>	<u>\$ 323,894</u>	<u>\$ 541,996</u>	<u>\$ 218,102</u>

City of Wayland**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 180,000	\$ 180,000	\$ 403,453	\$ 223,453
Interest	<u>2,500</u>	<u>2,500</u>	<u>5,000</u>	<u>2,500</u>
Total revenues	<u>182,500</u>	<u>182,500</u>	<u>408,453</u>	<u>225,953</u>
EXPENDITURES				
Public works	343,205	363,669	275,412	88,257
Debt service:				
Principal	-	45,000	45,000	-
Interest	<u>31,495</u>	<u>61,238</u>	<u>29,880</u>	<u>31,358</u>
Total expenditures	<u>374,700</u>	<u>469,907</u>	<u>350,292</u>	<u>119,615</u>
NET CHANGE IN FUND BALANCES	(192,200)	(287,407)	58,161	345,568
FUND BALANCES - BEGINNING	<u>99,916</u>	<u>99,916</u>	<u>99,916</u>	<u>-</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ (92,284)</u>	<u>\$ (187,491)</u>	<u>\$ 158,077</u>	<u>\$ 345,568</u>

City of Wayland
SCHEDULE OF FUNDING PROGRESS
Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

<i>Actuarial valuation date December 31</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
1996	\$ 1,034,617	\$ 1,351,343	\$ 316,726	77%	\$ 533,141	59%
1997	1,116,298	1,824,355	708,057	61%	609,797	116%
1998	1,143,518	1,988,122	844,604	58%	655,706	129%
1999	1,349,027	1,981,506	632,479	68%	674,859	94%
2000	1,543,950	2,261,206	717,256	68%	697,958	103%
2001	1,737,177	2,506,944	769,767	69%	739,370	104%
2002	1,900,050	2,768,933	868,883	69%	859,915	101%
2003	2,166,052	2,955,360	789,308	73%	824,641	96%
2004	2,416,105	3,366,470	950,365	72%	816,396	116%
2005	2,663,020	3,565,253	902,233	75%	807,456	112%
2006	2,971,707	3,844,847	873,140	77%	789,541	111%

SUPPLEMENTARY INFORMATION

City of Wayland
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2007

	<u>Special revenue</u>				<u>Total nonmajor governmental funds</u>
	<u>Local Street</u>	<u>Special Road</u>	<u>Justice Training</u>	<u>Wayland Housing Improvement</u>	
ASSETS					
Cash	\$ 72,733	\$ 277,257	\$ 2,313	\$ 38,634	\$ 390,937
Receivables	<u>10,205</u>	<u>-</u>	<u>-</u>	<u>47,419</u>	<u>57,624</u>
Total assets	<u>\$ 82,938</u>	<u>\$ 277,257</u>	<u>\$ 2,313</u>	<u>\$ 86,053</u>	<u>\$ 448,561</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,374	\$ -	\$ -	\$ -	\$ 4,374
Fund balances:					
Reserved for long-term receivables	-	-	-	47,419	47,419
Unreserved, undesignated	<u>78,564</u>	<u>277,257</u>	<u>2,313</u>	<u>38,634</u>	<u>396,768</u>
Total fund balances	<u>78,564</u>	<u>277,257</u>	<u>2,313</u>	<u>86,053</u>	<u>444,187</u>
Total liabilities and fund balances	<u>\$ 82,938</u>	<u>\$ 277,257</u>	<u>\$ 2,313</u>	<u>\$ 86,053</u>	<u>\$ 448,561</u>

City of Wayland

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2007

	<u>Special revenue</u>				<u>Total nonmajor governmental funds</u>
	<u>Local Street</u>	<u>Special Road</u>	<u>Justice Training</u>	<u>Wayland Housing Improvement</u>	
REVENUES					
State grants	\$ 62,148	\$ 11,907	\$ 1,386	\$ -	\$ 75,441
Contribution from local units	-	93,934	-	-	93,934
Interest	2,000	-	-	2,331	4,331
Other	-	-	-	49	49
Total revenues	<u>64,148</u>	<u>105,841</u>	<u>1,386</u>	<u>2,380</u>	<u>173,755</u>
EXPENDITURES					
Public safety	-	-	749	-	749
Public works	<u>33,504</u>	<u>7,947</u>	<u>-</u>	<u>3,486</u>	<u>44,937</u>
Total expenditures	<u>33,504</u>	<u>7,947</u>	<u>749</u>	<u>3,486</u>	<u>45,686</u>
NET CHANGE IN FUND BALANCES	30,644	97,894	637	(1,106)	128,069
FUND BALANCES - BEGINNING	<u>47,920</u>	<u>179,363</u>	<u>1,676</u>	<u>87,159</u>	<u>316,118</u>
FUND BALANCES - ENDING	<u>\$ 78,564</u>	<u>\$ 277,257</u>	<u>\$ 2,313</u>	<u>\$ 86,053</u>	<u>\$ 444,187</u>

**Members of the City Council
City of Wayland, Michigan**

In planning and performing our audit of the financial statements of the City of Wayland as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Wayland's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following control deficiencies constitute material weaknesses.

- The City's pooled cash accounts were not reconciled to their respective general ledger control accounts in a timely manner. Management has implemented procedures to ensure the timely reconciliation of cash balances in the subsequent fiscal year.
- The City has been delinquent in its distribution of industrial facilities taxes that were collected for other taxing authorities. Management intends to disburse all tax collections being held for other taxing authorities as soon as is practicable.
- The City's component unit, the Downtown Development Authority, captured too much tax over the past several years due to administrative oversight. The excess captures have been distributed to the appropriate taxing authorities in the subsequent fiscal year.



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- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record changes in capital assets and related debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the City has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the City's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of management, the City Council, and the Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

November 15, 2007